



*United States Attorney
Southern District of New York*

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**MANHATTAN U.S. ATTORNEY ANNOUNCES CHARGES AGAINST FOUR
NEW DEFENDANTS IN AN UNPRECEDENTED SCHEME TO DEFRAUD
NEW YORK CITY IN CONNECTION WITH CITYTIME PROJECT**

*Alleged Criminal Scheme Extended Across Virtually Every Level Of
CityTime Project; Contractors And Subcontractors Systematically
Inflated Costs, Overbilled For Consultants' Time, And
Artificially Extended Completion Date*

*Defendants Used Network of Shell Companies and Bank Accounts in
the United States and Abroad to Conceal Over \$40 Million in
Kickbacks*

PREET BHARARA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the unsealing of a Superseding Indictment ("Indictment") charging nine defendants, including two individuals and one corporation not previously charged, in connection with a massive and elaborate scheme to defraud the City of New York (the "City") on the CityTime Project

The individuals named in today's Indictment are MARK MAZER, GERARD DENAULT, PADMA ALLEN, REDDY ALLEN, DIMITRY ARONSHTAIN, SVETLANA MAZER, LARISA MEDZON, and ANNA MAKOVETSKAYA. The company named is TECHNODYNE, LLC ("TECHNODYNE"), a consulting company co-owned by PADMA ALLEN and REDDY ALLEN.

Also unsealed today was the guilty plea of Carl Bell, a Chief Systems Engineer in the New York Office of Science Applications International Corporation ("SAIC"), the primary contractor on CityTime. Bell pled guilty on June 14, 2011, to multiple charges based on his participation in the fraudulent

scheme and his receipt of millions of dollars of kickbacks.

Manhattan U.S. Attorney PREET BHARARA said: "In just the few months since the first announcement of arrests and seizures, we have developed evidence that the corruption on the CityTime project was epic in duration, magnitude, and scope. As alleged, CityTime served as a vehicle for an unprecedented fraud, which appears to have metastasized over time. But as stunning as the allegations are, our resolve is even stronger. We will continue to aggressively investigate the CityTime project until every criminal participant is brought to justice. And we will not rest until -- one way or another -- every penny of fraud is recovered and returned to the City."

DOI Commissioner ROSE GILL HEARN said: "Today we reach a watershed moment in the CityTime investigation. The top consultants on the project stand indicted, the scope of the fraud has been further revealed, and \$38 million and counting has been seized or frozen. IT contracts that involve hundreds of millions of dollars and multiple layers of consultants are a new frontier for fraud and DOI has been at the forefront of exposing it. While the City brought its vast payroll system into the 21st century, with the U.S. Attorney's Office for the Southern District of New York, DOI exposed and has called the wrongdoers to account."

According to the 43-page Indictment unsealed today in Manhattan federal court:

Background

For over ten years, the City has been developing and attempting to implement CityTime, an initiative to modernize the payroll system for City employees. The project was originally budgeted to cost the City \$63 million to complete, but, in fact, has cost the City more than \$600 million to date, with additional expenditures still required to complete the project.

The New York City Office of Payroll Administration ("OPA") was the City agency responsible for overseeing CityTime. MARK MAZER was ultimately given authority to serve as a principal agent and representative of OPA in connection with the project. Among other things, MARK MAZER had the authority to approve consultants' time sheets; represent OPA at meetings related to CityTime; and make recommendations to accept or reject amendments to contracts on the project.

SAIC was the primary contractor on CityTime. Between

2003 and 2010, DENAULT was an employee of SAIC and served as SAIC's Program Manager for CityTime. Among other things, DENAULT was responsible for selecting and overseeing subcontractors hired by SAIC to assist with CityTime; submitting bills to the City seeking payment for work purportedly performed by SAIC employees and subcontractors on CityTime; and developing proposed CityTime work orders. DENAULT was also responsible for developing contract amendments seeking approval for SAIC to perform additional work on the project. Carl Bell worked as Chief Systems Engineer in the New York office of SAIC from 2003 to 2011.

TECHNODYNE was the principal subcontractor that SAIC hired to work on CityTime. At TECHNODYNE, REDDY ALLEN served as Chief Executive Officer, and PADMA ALLEN served as Chief Financial Officer.

D.A. Solutions, Inc. ("DAS"), was a sub-subcontractor hired by TECHNODYNE to provide additional staffing services on CityTime. ARONSHTEIN, who was MARK MAZER's uncle and LARISA MEDZON's brother, was the owner of DAS.

Prime View, Inc. ("Prime View"), which was owned by Victor Natanzon, was another sub-subcontractor hired by TECHNODYNE to provide additional staffing services in connection with CityTime.

Between 2003 and 2010, the City disbursed over \$600 million to SAIC in connection with CityTime, \$400 million of which was paid to TECHNODYNE. DAS received over \$55 million in consulting fees on CityTime between 2005 and 2010, and Prime View received over \$20 million in consulting fees on CityTime between 2006 and 2010, representing over 75 percent of its income during that time period.

The Fraudulent Scheme

As alleged in the Indictment, from 2003 to 2010, there existed a massive and elaborate scheme to defraud the City in connection with CityTime. The individuals primarily responsible for the project collaborated in an effort to overbill and otherwise defraud the City by exploiting their authority and influence over OPA, the primary contractor (SAIC), the primary subcontractor (TECHNODYNE), and the sub-subcontractors (DAS and Prime View). As a result, virtually all of the \$600 million that the City paid to SAIC for CityTime was tainted, directly or indirectly, by fraud.

According to the Indictment, MARK MAZER used his authority at OPA to approve timesheets for consultants who were on leave, who had been fired, and who were working less time than was reported. Meanwhile, DENAULT used his authority at SAIC to cause consultants to be hired at inflated rates, to artificially delay the implementation of the project, and to approve work orders for unnecessary staffing increases. As a result of these and other actions, the scope and cost of the project mushroomed. For example, at the end of 2005, there were fewer than 150 consultants working on CityTime, and an internal SAIC report stated that the project was staffed adequately. But, by the end of 2007, the number of consultants had more than doubled to over 300. Many of these consultants billed at rates of \$160 per hour -- or more than \$300,000 per consultant per year.

The Indictment alleges that the individuals involved in the scheme personally benefited from overbilling the City and otherwise causing increased expenditures for CityTime. For example, SAIC executives allegedly received millions of dollars in kickbacks in connection with work steered to TECHNODYNE. Specifically, the Indictment alleges that DENAULT and Bell were each paid \$5 by PADMA ALLEN and REDDY ALLEN for every hour worked by every consultant hired by or through TECHNODYNE. DENAULT also received an additional \$2 for every hour worked by a consultant for D.A. Solutions and Prime View. As a result, DENAULT allegedly received over \$9 million in kickbacks, and Bell received at least \$5 million in kickbacks. The Indictment also alleges that MARK MAZER received over \$25 million in kickbacks from ARONSHTEIN and Natanzon in connection with steering work to D.A. Solutions and Prime View. Finally, the Indictment alleges that because of its participation in the scheme, TECHNODYNE appeared to be a successful and fast-growing company. In 2010, PADMA ALLEN was even honored as an Entrepreneur of the Year by a prominent firm. In truth and in fact, however, the engine of TECHNODYNE's growth was the over \$400 million in fees on CityTime that the company received in connection with its participation in the fraudulent scheme.

Concealment of the Fraudulent Scheme

The Indictment further alleges that MARK MAZER, DENAULT and Bell attempted to conceal the illegal kickbacks they received in connection with CityTime. DENAULT and Bell each took steps to make it appear as though the kickbacks constituted legitimate income from a separate consulting business. DENAULT had the kickbacks deposited into a bank account he established in the name of "MKG Consulting," and Bell had the kickbacks deposited into the bank accounts of an entity he created called "3C Enterprises."

Furthermore, PADMA ALLEN, REDDY ALLEN, and TECHNODYNE allegedly took steps to conceal the kickbacks they were paying to DENAULT and Bell by first wiring the funds to bank accounts they controlled in India in the name of other companies affiliated with TECHNODYNE. Those Indian affiliates then wired the money to the bank accounts created by DENAULT and Bell. MARK MAZER allegedly concealed the kickbacks he was receiving from D.A. Solutions and Prime View by distributing the kickbacks first to shell companies established and maintained by MARK MAZER, his mother, LARISA MEDZON, and his cousin, ANNA MAKOVETSKAYA. These first-tier shell companies, in turn, sent millions of dollars to a second set of shell companies controlled by MARK MAZER and his wife, SVETLANA MAZER.

Finally, the Indictment alleges that DENAULT, PADMA ALLEN, and REDDY ALLEN obstructed justice in connection with the fraudulent scheme. Specifically, DENAULT allegedly obstructed justice by lying to law enforcement about the kickback scheme, including his knowledge of and involvement with D.A. Solutions. PADMA ALLEN and REDDY ALLEN are charged with obstructing justice by, among other things, creating a phony cover story for Bell to use if questioned about the kickbacks and leaving the country and moving to India at a time when they knew they were under federal investigation.

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All of the individual defendants, except for PADMA ALLEN and REDDY ALLEN, were previously arrested. The next conference scheduled in the case is June 28, 2011, at 10:00 a.m. before U.S. District Judge GEORGE B. DANIELS. A chart setting forth the charges in the Indictment and maximum applicable penalties is attached to this release.

Natanzon pled guilty in February 2010 to charges related to his role in connection with the CityTime fraud.

Mr. BHARARA praised the investigative work of the New York City Department of Investigation.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant U.S. Attorneys HOWARD S. MASTER and ANDREW D. GOLDSTEIN are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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U.S. v. Mark Mazer, et al.

Defendant	Residence	Age
MARK MAZER	Manhasset, NY	48
GERARD DENAULT	Danbury, CT	49
PADMA ALLEN	Wayne, NJ	43
REDDY ALLEN	Wayne, NJ	46
TECHNODYNE	N/A	N/A
DIMITRY ARONSHTEIN	Oceanside, NY	50
SVETLANA MAZER	Manhasset, NY	45
LARISA MEDZON	Forest Hills, NY	66
ANNA MAKOVETSKAYA	Forest Hills, NY	40

Count	Charge	Defendants	Penalties
1	Wire fraud conspiracy	MARK MAZER GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	20 years in prison; 3 years' supervised release; \$250,000 or twice the pecuniary gain/loss; \$100 special assessment
2	Wire fraud	MARK MAZER GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	20 years in prison; 3 years' supervised release; \$250,000 or twice the pecuniary gain/loss; \$100 special assessment
3	Honest services fraud conspiracy	GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	20 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment

4	Honest services fraud	GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	20 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
5	Bribery conspiracy	MARK MAZER, GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	10 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
6	Bribery	MARK MAZER	10 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
7	Bribery	PADMA ALLEN REDDY ALLEN TECHNODYNE DIMITRY ARONSHTEIN	10 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
8	Travel act conspiracy	MARK MAZER, GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE DIMITRY ARONSHTEIN	5 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
9	Obstruction of justice	GERARD DENAULT	20 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment

10	Obstruction of justice conspiracy	PADMA ALLEN REDDY ALLEN	20 years in prison; 3 years' supervised release; \$250,000 or twice the value of the laundered funds; \$100 special assessment
11	Money laundering conspiracy	GERARD DENAULT PADMA ALLEN REDDY ALLEN TECHNODYNE	20 years in prison; 3 years' supervised release; \$500,000 or twice the value of the laundered funds; \$100 special assessment
12	Money laundering conspiracy	MARK MAZER DIMITRY ARONSHEIN SVETLANA MAZER, LARISA MEDZON ANNA MAKOVETSKAYA	20 years in prison; 3 years' supervised release; \$500,000 or twice the value of the laundered funds; \$100 special assessment